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CAROL HENNINGER IN EEB/TPP/MTA AND THOMAS FINE AT USTR

E.O. 12958: N/A

TAGS: ECON ETRD WTRO SP

SUBJECT: SPAIN WANTS MORE COMPENSATION IN BANKING OR
INSURANCE IN RETURN FOR RESOLVING INTERNET GAMBLING WTO CASE

REF: STATE 165472

¶1. Summary: Spain recognizes that the U.S. has made a serious offer to resolve the WTO internet gambling case. However, Spain is looking for more compensation in banking or insurance. Moreover, as Spain appears to be relatively liberal on internet gambling, the public order argument for maintaining a robust regime for controlling internet gambling has little resonance in Spain. End Summary

TREND IN SPAIN IS FOR
LIBERALIZED RULES ON
INTERNET GAMBLING

¶2. Per reftel, EconOff contacted Ministry of Industry, Tourism and Trade Deputy Director General for International Trade in Services, Jose Alberto Plaza Tejera, on 12/11/07. Tejera told EconOff that Spain was moving in the direction of more liberalized rules on internet gambling. Spain permits internet gambling, albeit with admittedly difficult to enforce restrictions. For example, the Autonomous Community of Madrid (autonomous communities correspond roughly to U.S. states) allows internet gambling. The gambling organizer and gambler are both required to be resident in Madrid, but obviously this is difficult to verify. Tejera probed EconOff for where U.S. internet gambling legislation might be headed, and EconOff told him that whatever happened in this area in the U.S. Congress, it would very unlikely impact the resolution of this WTO case. Tejera subsequently committed to providing a list of Commission ideas for compensation and Spanish views.

SPAIN WANTS MORE FROM
U.S. IN INSURANCE OR
BANKING

¶3. Tejera passed to EconOff on 12/12/07 a fax with information on areas where the Commission is seeking compensation from the U.S. and areas that Spain is particularly interested in. According to Tejera, the EU would like U.S. concessions in the following areas.

-- Storage and warehousing: the EU is asking for an extension of commitments to cover ports.

-- Insurance: elimination of federal taxes related to premiums.

-- Banks: elimination of federal requirement for bank directors to be American citizens.

-- R&D: EU asks for commitments in the social and natural sciences and in interdisciplinary R&D services, which the U.S. appears willing to concede, although not with

respect to publicly financed projects.

-- Telecommunications: reduction in foreign ownership restrictions (20% for radio licenses).

-- Postal services: commitments in the liberalized activities (press and international mail).

-- External legal consulting: what has not been offered in the Doha Development Round (in the states that have legislation on this topic).

Spain recognizes that the U.S. has made a concession on R&D services but believes that this should be complemented by a concession in the banking or insurance sectors.

COMMENT

¶4. The extra compensation Spain is looking for in insurance or banking likely stems from the fact that BBVA and Santander have made important acquisitions in the U.S. in the last year or so and see the U.S. as a very important area for future growth. Spain's largest insurance company, MAPFRE, recently bought a car insurance company in Massachusetts, making MAPFRE one of the top 20 insurance companies in the U.S. MAPFRE also owns insurance companies in Florida and New Jersey.

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